

SECRET TELEPOUCH

DISP NO- OIRW-27104

FILE NO- 200-124-39/3

DATE - 3 MAY 1966

INDEX - NONE

FILM - NONE

TO - []

INFO - []

FROM - CHIEF, WOLINE VIA CHIEF, EUR

SUBJ - DTDORIC/QKACTIVE

PROPOSAL FOR RELOCATION OF QKACTIVE'S USSR BOOK DISTRIBUTION PROGRAM FROM MUNICH TO ROME

ACTION - AS STATED

REFS - A. OIRW-26910, 19 JANUARY 1966

B. OIRA-46734, 24 JANUARY 1966

C. DIRECTOR 31354, MARCH 1966

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE/METHOD/EXEMPTION 3828
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

1. 'BACKGROUND.' ON 21/22 JANUARY 1966, QKACTIVE REPRESENTATIVES JASPER C. LANBIE /QKACTIVE'S DIRECTOR OF SPECIAL PROJECTS--IDEN A/, EDMUND B. NOWINSKY /MANAGER OF QKACTIVE'S PARIS BUREAU--IDEN B/, AND QRBOUT /QKACTIVE'S DIRECTOR OF SPECIAL PROJECTS/MUNICH--IDEN C/ MET FIRST WITH [] AND COLLEAGUES AND LATER WITH RHHNSTEAD TO DISCUSS THE EUROPEAN PART OF QKACTIVE'S PROGRAM FOR DISTRIBUTING WESTERN BOOKS IN THE USSR AND THE POSSIBILITY OF MOVING ITS MAIN POINT OF OPERATIONS FROM MUNICH TO ITALY. AS A RESULT OF THESE MEETINGS, IN WHICH BOTH [] AND RHHNSTEAD PROVIDED A LARGE AMOUNT OF MOST HELPFUL DETAILED INFORMATION, QKACTIVE FELT ENCOURAGED TO EXPLORE IN DEPTH THE LEGAL ASPECTS OF SUCH A MOVE. HEADQUARTERS WAS ABLE TO PROVIDE THE NAME OF A QUALIFIED ITALIAN LAWYER, PAOLO MARIOTTI, AND IN MID-MARCH, QRBOUT AND [] /FROM HEADQUARTERS/ MET WITH HIM FOR EXTENSIVE DISCUSSIONS. UNDER DATE OF 25 MARCH, MARIOTTI

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FORWARDED HIS CAREFULLY RESEARCHED RECOMMENDATION TO QRBOUT THAT ANY ITALIAN OPERATION OF THE BOOK PROGRAM SHOULD BE ESTABLISHED AS THE ITALIAN BRANCH OF A FOREIGN CORPORATION, AS ONLY IN THIS WAY COULD SERIOUS TAX DISADVANTAGES AND EXCESSIVE DELAYS IN REGISTRATION BE AVOIDED. MARIOTTI RECOMMENDED U.S. INCORPORATION, NOT BEING AWARE OF THE RESTRICTIONS LAID ON WOFIRM WHICH WOULD PREVENT THIS APPROACH.

[] LOOKED INTO THE POSSIBILITIES OF INCORPORATION IN ENGLAND, BUT ENGLAND AND ITALY DO NOT HAVE A TREATY WHICH WOULD PROVIDE THE NECESSARY TAX BENEFITS. THE SAME SITUATION ALSO APPLIES TO BELGIUM, AND WE FEEL FRANCE CANNOT BE CONSIDERED. THEREFORE THE QUESTION OF RETAINING IN GERMANY THE NOMINAL HEADQUARTERS OF THE BOOK PROGRAM WAS RE-EXAMINED, WITH THE RESULT THAT THE KEY QKACTIVE/TPLINGO EXECUTIVES AGREE THEY CAN LIVE WITH SUCH AN ARRANGEMENT.

2. CURRENT PROPOSAL -

A. THE PRESENT CORPORATE MECHANISM FOR THE MUNICH OPERATIONS OF THE QKACTIVE BOOK PROGRAM, IDEN D, IS REGISTERED IN GERMANY AS AN 'EINGETRAGENE VEREIN' /REGISTERED NON-PROFIT ASSOCIATION/. QKACTIVE PROPOSES TO CHANGE THE NAME OF THIS ORGANIZATION TO IDEN E, WHILE CONTINUING ITS REGISTRATION AS AN EINGETRAGENE VEREIN. THE STATUTES WOULD BE ALTERED AS NECESSARY, A STATEMENT OF PURPOSES WOULD BE PREPARED FOR USE IN BOTH ITALY AND GERMANY /DRAFT COPY FORWARDED U/S/C/, AND THE PRESENT THREE-MAN BOARD OF DIRECTORS WOULD BE REDUCED TO TWO. THE PRESENT PRESIDENT, IDEN F, WOULD CONTINUE TO SERVE IN THIS CAPACITY, AND A NEW VICE-PRESIDENT, IDEN G, WOULD TAKE OFFICE. UNDER THE REVISED STATUTES THE BOARD OF DIRECTORS WOULD BE AUTHORIZED TO APPOINT A SECRETARY-GENERAL AND TO ESTABLISH OFFICES OUTSIDE OF GERMANY. BY SPECIFIC RESOLUTION, QRBOUT WOULD BE APPOINTED SECRETARY-GENERAL, WITH POWER TO ESTABLISH AND OPERATE AN OFFICE IN ROME.

B. LAWYER MARIOTTI HAS ADVISED QRBOUT THAT ON COMPLETION OF THE ABOVE LEGAL ACTIONS, HE COULD THEN PROCEED WITH THE LEGAL FORMALI-

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TIES IN ITALY. HE HAS ADVISED QRBOUT THAT THESE FORMALITIES "WOULD BE LIMITED TO THE DEPOSIT WITH AN ITALIAN NOTARY PUBLIC AND THEREAFTER WITH THE ROME COURT OF THE ARTICLES OF ASSOCIATION OF THE CORPORATION AND AN APPROPRIATE RESOLUTION CONCERNING THE OPENING OF THE ITALIAN OPERATIONS TAKEN BY THE GOVERNING BODY OF THE ASSOCIATION. THESE DOCUMENTS, TOGETHER WITH AN APPLICATION FOR REGISTRATION, WOULD BE RECORDED WITH THE REGISTRY OF LEGAL PERSONS OF THE COURT." HE FURTHER ADVISES THAT QRBOUT COULD IMMEDIATELY THEREAFTER OPEN AN OFFICE, THAT NO DIFFICULTY WOULD BE ENCOUNTERED BY THE ROME OFFICE IN RESPECT TO THE RECEIPT OF ITS OPERATING FUNDS /SEE PARA E BELOW/ AND THE OFFICE WOULD ENJOY THE TAX EXEMPTIONS AUTHORIZED UNDER THE TREATY OF FRIENDSHIP, COMMERCE AND NAVIGATION BETWEEN ITALY AND GERMANY.

C. SUBJECT TO WOFIRM APPROVAL TO PROCEED, QRBOUT WOULD GO TO ROME IMMEDIATELY AFTER THE ITALIAN ELECTIONS ARE OVER. ON COMPLETION OF THE REGISTRATION FORMALITIES, QRBOUT WOULD LOCATE AND LEASE SUITABLE OFFICE SPACE, ARRANGE WORK PERMITS FOR THOSE EMPLOYEES IT IS DESIRED TO TRANSFER FROM MUNICH, AND HIRE THE REMAINDER OF THE REQUIRED STAFF LOCALLY. SINCE ITALIAN OPERATIONS OF THE BOOK PROGRAM HAVE BEEN RUNNING FOR SEVERAL YEARS, THANKS TO THE COOPERATION OF SEVERAL ITALIAN CITIZENS, THESE OPERATIONS WOULD CONTINUE WITH NO LOST MOTION RESULTING FROM THE TRANSFER OF THE MAIN OPERATING OFFICE.

D. A LIST OF THE PERSONS WHO WOULD BE TRANSFERRED FROM MUNICH TO ROME IS FORWARDED UNDER SEPARATE COVER. THE FOUR AMERICANS HAVE COVERT SECURITY APPROVALS AND ARE WITTING OF THE WOFIRM/QKACTIVE RELATIONSHIP.

F. DETAILED FINANCIAL ARRANGEMENTS HAVE NOT BEEN DEVELOPED, PENDING APPROVAL OF THE MOVE. PRESENT THINKING IS ALONG THE LINES OF THE ESTABLISHMENT OF A SWISS BANK ACCOUNT IN THE NAME OF IDEN E, FROM WHICH QRBOUT WOULD BE ABLE TO TRANSFER AMOUNTS TO AN ITALIAN CHECKING ACCOUNT IN ROME. BANK TRANSFERS WOULD BE MADE BY LAMBLE FROM

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NEW YORK /NOT FROM QKACTIVE HQ/ TO THE SWISS ACCOUNT AS NEEDED.

3. DURING THE VISIT OF 21/22 JANUARY REFERRED TO IN PARA 1 ABOVE, THE POSSIBILITY OF MOVING THE QKACTIVE LATIN AMERICAN PROGRAM FROM MUNICH TO ITALY WAS DISCUSSED WITH [] UNDER THIS PROGRAM, THE FOLLOWING MATERIAL, OBTAINED AS A BY-PRODUCT OF POLITICAL PROGRAMMING RESEARCH AND NEWS OPERATIONS, IS TRANSLATED INTO SPANISH AND MAILED TO DISTRIBUTION AGENTS THROUGHOUT LATIN AMERICA -

A. FOR NEWSPAPERS-- A "WEEKLY REPORT FROM EUROPE," TWO FEATURE ARTICLES EACH WEEK, A "WEEKLY LETTER FROM EUROPE," AND SEVERAL SHORT FILLER ITEMS EACH WEEK, ALL ON DEVELOPMENTS IN THE USSR OR IN THE EUROPEAN SATELLITES.

B. FOR RADIO STATIONS--THE EQUIVALENT OF THE NEWSPAPER MATERIALS, BUT IN A FORM SUITABLE FOR RADIO USE, PLUS SHORT "SPOT" ANNOUNCEMENTS OF SIGNIFICANT HAPPENINGS IN SOVIET BLOC AREAS. THIS PROGRAM IS PRESENTLY UNDER REVIEW IN HEADQUARTERS, AND ANY PROPOSAL TO TRANSFER IT FROM MUNICH TO ITALY IS BEING DEFERRED UNTIL THE REVIEW IS COMPLETED. THE BASIS OF THIS REVIEW IS ORDOUT'S DETAILED REPORT ON THIS PROGRAM, A COPY OF WHICH IS BEING POUCHED FOR YOUR INFORMATION.

4. WITH REFERENCE TO THE PERTINENT AND HELPFUL OBSERVATIONS MADE BY [] IN REFERENCE B, WE WOULD LIKE TO MAKE THE FOLLOWING COMMENTS -

A. LIKE [] WE WOULD HAVE PREFERRED TO SET UP AN ITALIAN ORGANIZATION, WITH ITALIAN MEMBERS OF THE BOARD OF DIRECTORS. HOWEVER, THE ADVICE FROM BOTH THE WOFIRM AND ITALIAN LAWYERS POINTS TO THE CONCLUSION THAT THIS IS IMPRACTICABLE BECAUSE OF TAX AND FOREIGN EXCHANGE CONTROLS.

B. WE FEEL WE MUST AGREE WITH THE PROJECT EXECUTIVES, THE ITALIAN LAWYER, AND RATHER THAT THE PROGRAM CAN BE RUN MUCH MORE EFFECTIVELY FROM ROME THAN FROM FLORENCE, THAT IT IS MORE NORMAL

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FOR A FOREIGN ORGANIZATION TO ESTABLISH AN ITALIAN BRANCH IN ROME, AND THAT IT WILL BE LESS CONSPICUOUS IN ROME THAN IN A MUCH SMALLER CITY.

C. IN VIEW OF THE ITALIAN LAWYER'S INFORMATION REGARDING THE REQUIREMENTS FOR A FOREIGN CORPORATION TO REGISTER AND OPERATE, IT DOES NOT APPEAR THAT AN APPROVAL FROM THE MINISTRY OF FOREIGN AFFAIRS WOULD BE NEEDED.

D. THERE WOULD BE NO ACKNOWLEDGEMENT OF THE WOFIRM CONNECTION WITH THE BOOK PROGRAM BY ANY OF THE QKACTIVE PEOPLE INVOLVED. WE WOULD THEREFORE REQUEST THAT [] NOT ACKNOWLEDGE TO DEPATRON THE WOFIRM CONNECTION, ALTHOUGH DEPATRON UNDOUBTEDLY WOULD EVENTUALLY SUSPECT THE TRUE SITUATION.

E. WE REALIZE THAT THERE IS A HIGH DEGREE OF INTEREST BY THE ITALIAN PRESS IN INTELLIGENCE ACTIVITIES, AND WE CAN ONLY HOPE THAT THE LOW DEGREE OF VISIBILITY WITH WHICH THE BOOK PROGRAM OPERATIONS HAVE BEEN CONDUCTED IN ITALY IN THE PAST WOULD CONTINUE IN THE FUTURE.

F. WE AGREE THAT THE BOOK PROGRAM SHOULD NOT BE RELOCATED UNTIL AFTER THE MAY ELECTIONS.

5. REGARDING PARAGRAPH 6 OF REFERENCE D, [] IS CORRECT IN HIS ASSUMPTIONS THAT THE QKACTIVE BOOK DISTRIBUTION AND LATIN AMERICAN PROGRAMS HAVE THE APPROPRIATE LHMARP APPROVALS AND THAT CONTINUED WOFIRM FUNDING HAS BEEN DECIDED, AT LEAST THROUGH FY 1960. WE ARE NOT AWARE OF ANY SECURITY HAZARDS OR PROBLEMS WHICH HAVE RESULTED FROM THE OPERATIONS OF EITHER PROGRAM TO DATE, THOUGH WE DO NOT DELUDE OURSELVES THAT THE SOVIETS ARE NOT AWARE, AT LEAST IN GENERAL TERMS, OF THESE ACTIVITIES AND THE FACT THAT THOSE DIRECTING THEM ARE OR HAVE BEEN EMPLOYEES OF QKACTIVE. HOWEVER, SHORT OF TERMINATING THE PRESENT PERSONNEL AND SCRAPPING THE SMOOTHLY FUNCTIONING OPERATIONS THEY HAVE BUILT UP OVER THE PAST EIGHT YEARS, WE SEE NO WAY

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OF AVOIDING THIS LATENT HAZARD.

6. WE WOULD APPRECIATE YOUR CONCURRENCE TO THIS PROPOSED MOVE OF THE QKACTIVE BOOK DISTRIBUTION PROGRAM FROM MUNICH TO ROME. ON RECEIPT OF YOUR CONCURRENCE, WE WOULD AUTHORIZE THIS MOVE TO TAKE PLACE AS SOON AS THE MAY ELECTIONS ARE OVER. ORDOU AND MARIOTTI WOULD HOPE TO TAKE AN OPTION ON OFFICE SPACE THE DAY AFTER THE ELECTIONS. WE ASSUME COS/GERMANY HAS NO PROBLEM WITH THIS PROPOSED MOVE.

ATTACHMENTS - IDEN SHEET - UNDER SEPARATE COVER VIA 'TP'

PERSONNEL LIST - UNDER SEPARATE COVER VIA 'TP'

DISTRIBUTION -

BY TELEPOUCH

2 - [] ATTS

1 - [] W/ATTS

1 - [] W/ATTS

HQS DISTRIBUTION -

1 - E/G W/O ATTS

1 - E/I W/O ATTS

2 - CA/DIC W/ATTS

PREPARED BY - []

CA/DIC

COORDINATION - COS/PB /IN DRAFT/

D/E/G/INT

IC/E/I

E/CR

RELEASED IN DRAFT BY []

D/EUR

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SECRET TELEPOUCH SEPARATE COVER ATTACHMENT A TO CIRW-27184

TO

INFO

FROM - CHIEF, WOLINE VIA CHIEF, EUR

IDENTITIES - A. ISAAC PATCH, JR.

B. MERRILL COBY

C. GAITHER /JACK/ STEWART, JR.

D. INTERNATIONAL BOOK EXCHANGE /IBEX/

E. ASSOCIATIONE LETTERARIA INTERNAZIONALE /ALI/ /IN ENGLISH - INTERNATIONAL LITERARY ASSOCIATION/

F. KLAUS SCHNEER, A GERMAN NATIONAL AND HUSBAND OF LORRAINE KAUFMAN SCHNEER, AN IBEX EMPLOYEE

G. KARLA GERKE, A GERMAN NATIONAL AND IBEX EMPLOYEE

END

S/c att/c OLR 24-27184

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SECRET TELEPOUCH SEPARATE COVER ATTACHMENT A TO CIRW-27184



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TO

INFO

FROM - CHIEF, WOLINE VIA CHIEF, EUR

LIST OF PERSONS TO BE TRANSFERRED

NAME	CITIZENSHIP	POSITION
GAITHER /JACK/ STEWART, JR.	USA	MANAGER
ROBERT SHANKLAND	USA	EDITORIAL SUPERVISOR
LORRAINE KAUFMAN SCHNEER	USA	PROJECT ASSISTANT
CAROL BOREN	USA	ADMIN. ASSISTANT
NICHOLAS CHALDYRVAN	STATELESS	RESEARCHER
AUGUSTA BERGER	GERMAN	SECRETARY, MULTI- LINGUAL

END

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